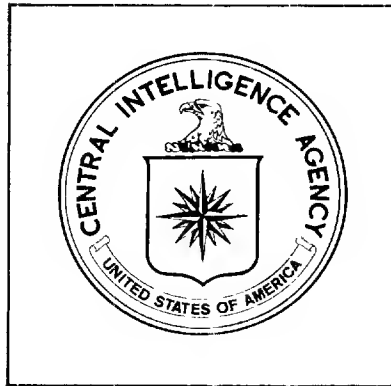


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STAFF NOTES:

Latin American Trends

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LATIN AMERICAN TRENDS

This publication is prepared for regional specialists in the Washington community by the Western Hemisphere Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Venezuela: OLADE Meeting in Jamaica

Petroleum and energy ministers from Latin America--including Cuba--are meeting in Kingston, Jamaica, this week to consider the financial and operating structure of the new Latin American Energy Organization (OLADE). Little is expected to come out of the meeting, however, as long as Venezuela--the major oil power in Latin America--continues to withhold its wholehearted support and financial backing.

Caracas considers proposals regarding the organization's budget, staffing needs, and objectives unrealistic and ones in which it would be expected to bear a large share of the costs. These concerns were magnified early this month when OLADE economic experts met in Quito and approved a yearly budget of nearly \$1 million and a large secretariat staff over Venezuela's vigorous objections.

President Perez is displeased with the actions in Quito and has decided to withhold further financial support until the organization is scaled down to Venezuela's specifications. Further he has decided to shelve the recently approved Venezuelan plan for an energy bank to aid non-oil-producing member nations and to reduce the level of Venezuela's representation at this week's meeting in Kingston.

Under these circumstances, it is unlikely that Perez will follow through with his pledge to Peruvian President Velasco last month to increase Venezuelan participation in OLADE affairs and to push ratification of the OLADE treaty through the Venezuelan congress.

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Indeed some officials involved in energy and economic activities are even discussing Venezuela's continued association with OLADE, and are advocating that it be replaced or absorbed into the proposed Latin American Economic System, a vague proposal for economic cooperation currently being pushed by Venezuela and Mexico.

Certainly, Caracas is unhappy with the way OLADE is evolving and may be looking for some way to diminish its role in a way that will not affect its current drive for leadership in Latin America. For Perez, the proposed economic system may be one answer, and if its chances improve, OLADE's future will become increasingly in doubt. (SECRET/NO FOREIGN DISSEM/CONTROLLED DISSEM)

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Colombia: Problems for Lopez

President Lopez continues to be plagued by noisy and often violent demonstrations protesting various economic woes. The anticipated palliative effect of emergency measures decreed by Lopez in September and October will be seen only in the longer term. He has consistently rejected the stop-gap economic measures demanded by demonstrators, recommended by several influential media spokesmen, and even suggested by some members of Colombia's traditionally apolitical military hierarchy.

Recently, protesters have zeroed in on problems related to petroleum. Increasing domestic consumption has eaten into Colombia's small oil exports since about 1970, and now the government projects a need to import more than 5 million barrels of oil during 1975. This new imbalance has already produced an upward float in gasoline prices and public transport fares. In addition, workers at the massive Barrancabermeja refinery have recently staged slowdowns and walk-outs protesting low pay and poor living conditions.

Continuing public disorders are a bitter pill for the Liberal Lopez, as they result in part from his attempts to court the mass elements that are now protesting. After his inauguration last August, Lopez ended his Conservative predecessor's policy of keeping a tight police lid on student and worker demonstrations. Now, Lopez has been forced by the demonstrators' violence in several cities to declare limited states of siege and mobilize army troops to bail out faltering police units. This has further angered protesters and also antagonized some army

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officers, who are unaccustomed to such a role and interpret the need for their services as a symptom of profound social and economic sickness affecting the nation.

There have been vaguely interventionist rumblings from within the military since December. An outright coup--a move wholly alien to Colombia's recent decades of democracy--is only a remote possibility, unless social and economic conditions worsen considerably. But Lopez is only prudent in granting a reported 20-percent increase in military pay at a time when inflation is expected to oblige cuts in the overall armed forces budget, possible troop cuts as well, and a consequent lessening of readiness in such high-priority areas as the Venezuelan border and the continuing counter-guerrilla offensive.

Lopez is finding the reality of his presidency somewhat at odds with the reformist idyll that he foresaw, or at least promised, as a candidate six months ago. The troubled passage of time sees him edging centerward, following the unwritten law of political behavior by which politicians are drawn to the point of ideological equilibrium. This is satisfactory as long as the ideological positions at play are not intolerably far apart. In Colombia, the unseemliness of widespread demonstrations, added to the generalized economic malaise and the painful new role being tentatively played by the military, risks polarizing the country. Such an abrupt change after 16 years of lethargic coalition government could present Lopez with much more of a challenge than he bargained for. (SECRET/NO FOREIGN DISSEM/CONTROLLED DISSEM)

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Peru: The Government Turns to Politics

The government's new plan to begin forming a "revolutionary" political movement in support of its programs will involve a long and complex process. President Velasco and other military leaders have considered such a move for years, but a number of factors have precluded any substantial forward movement. Many of these factors are still present and do not augur well for the efficient and successful implementation of the scheme.

For instance, the military apparently is not united on the fundamental question of whether or not the armed forces should be heavily involved in the political environment.

Prime Minister Morales Bermudez has disagreed with Velasco over the advisability of forming a pro-government movement. Although this information comes from [REDACTED]

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[REDACTED] it seems reasonable in light of long-standing ideological differences between Morales Bermudez and Velasco. There probably are other military leaders who share the prime minister's views.

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Among those in the regime who favor the formation of a political organization, there is no unanimity as to who should direct it and what precise ideological direction, if any, it should take. While a majority of officers may agree eventually on these issues, we are likely to witness in the coming weeks a good deal of in-fighting among cabinet ministers, the President, and civilian bureaucrats.

Perhaps the most serious obstacle facing President Velasco in his quest for widespread civilian support can be summed up in a word: bureaucracy. Since

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taking control of the country in October 1968, the military has established a vast network of functional bureaucracies to implement particular aspects of the revolutionary program. The oil program is run through Petroperu; the fishing industry through Pescaperu; mining through Mineroperu; the steel industry through Siderperu; the national airline through Aeroperu; and, since February 19, government publicity through Publiperu.

The propagation of bureaucracies reflects the military's continuing inability to fashion realistic mechanisms with which to implement revolutionary visions. To be sure, a number of important reforms have been carried out and many military leaders realize the shortcomings of attempting to solve fundamental economic problems through a basically "military" approach. Still, the regime will need more than a new bureaucracy ("Politperu," perhaps?) to overcome the apathy and hostility with which most Peruvians view the central government.

The process of building a civilian base of support is crucial to the military's ability to continue to govern effectively. As an alternative, the government could allow traditional civilian parties to play a significant role in formulating and implementing domestic reforms. At present, however, there appears to be little support in the armed forces for such a "partnership." (SECRET/NO FOREIGN DISSEM/CONTROLLED DISSEM)

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Brazil: Geisel and the New Governors

President Geisel recently told the state governors he personally selected last fall that they must play a strong role in strengthening the pro-government party in the wake of substantial opposition gains in last fall's congressional elections.

"Great and decisive indeed," he declared, "will be the role assigned to the new governors in reestablishing party structures, seriously damaged by dissension and recent trauma. They ought to smooth over differences, add dedication, reward effort..." Geisel signaled an intention to follow the governors' progress closely when he stated his hope that meetings with them in Brasilia would be "repeated in the future."

The President also made it clear that the states and their governors are subordinate to Brasilia. "Modern Brazil many years ago entered a period of indisputable supremacy of centralization over decentralization and in the process has readjusted the concepts of federalism and self government of the states," he said.

It goes without saying that the present regime, like previous ones, expects its chief representatives in the states to turn in strong administrative performances. The current governors, however, face the formidable challenge not only of doing their normal chores better than some of their predecessors, but also of restoring the vigor of the government party at a time when it has been seriously challenged.
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Central America: United, or Four Plus One

"We really don't belong in Central America. Our people are more culturally and ethnically related to the temperate zone of South America...But we are here and it is up to us to try to work something out."
Costa Rican Foreign Minister Gonzalo Facio,
November, 1972

The Central American republics have launched a campaign for regional unity. The chiefs of state have already met twice this year and declared their personal commitment to cooperation. Despite the rhetoric, however, conflicting national interests continue to surface. Costa Rica, for example, might be considered a maverick in the isthmus. In fact, as long as the socio-political orientation of the Costa Ricans is at such a variance with that of their neighbors, this alone might preclude any real unity.

Despite a worsening economic situation, Costa Rica is still the most prosperous-looking of all the isthmian countries. It has combined advantages of stability, education, social welfare programs, and a homogenous population that no other Central American nation shares. But the most significant factor which sets Costa Rica apart from the other republics is the absence of a military establishment. The implications are far reaching.

For the working class here, the primary method for advancement is through the educational system; enlistment in the armed forces is the most viable means for social mobility for other lower-class Central Americans. The current leaders of El Salvador, Honduras and Guatemala all rose through

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the military. In the case of Nicaragua, each of the three Somozas who have successively ruled through the past three decades first commanded the National Guard. But in Costa Rica, a university degree is the key to the top administrative and policy-making positions. President Daniel Oduber, who fancies himself a philosopher, must at times suffer a communications gap with his four counterparts.

Another principal variance is Costa Rica's adherence to democratic norms. The country is not free of political scandal, but the Costa Ricans seem highly law abiding when compared with the Hondurans, who accept graft as part of everyday life. A primary cause for the downfall of the Cruz regime two years ago was that the Hondurans did not know how to make a democratic coalition government function. Even though Costa Rica's recent politico-economic history has been dominated by the Figueres-founded National Liberation Party, elections are open to competing parties. In the other republics, any potentially viable opposition party is likely to provoke government reprisals.

The effectiveness of the Costa Rican National Assembly as a check on presidential powers has grown during the past two decades. In fact, President Oduber, whose party failed to win a majority in last year's election, has been plagued--and some of his proposals have been blocked--by an uncooperative Assembly. In sharp contrast, political power is highly centralized in the other four republics. The leaders of Guatemala, Honduras, and El Salvador have only to answer to the military--the final political arbiter. By virtue of his family's wealth and the steadfast loyalty of the National Guard, President Somoza literally runs a one-man show.

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In foreign policy, the Costa Ricans have gone their own way despite their neighbors' strong objections. When ex-President Figueres set out to expand trade with Communist countries, he set off shockwaves in the isthmus. Foreign Minister Facio, a holdover from the Figueres administration, has long called for the removal of sanctions against Cuba. This policy has been particularly offensive to President Somoza, who harbors an antipathy toward Fidel Castro and an exaggerated fear of Cuban subversion. Most recently, the five republics cautiously praised the new US Trade Act in that it might benefit Central American trade with the US. However, both Oduber and Facio later sidestepped this common front to demonstrate their support for the Act's most outspoken critics--especially for Venezuelan President Perez.

The Costa Ricans--leary of their "militaristic" neighbors--will continue to have trouble identifying with many of the problems to which the other Central Americans give priority. On the other hand, San Jose recoils at the thought of being excluded from any regional conference. Thus the Costa Ricans will support--at least publicly if not wholeheartedly--the concept of Central American unity, especially if it is in their own best interest. (CONFIDENTIAL)

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Trinidad & Tobago: A Caribbean Bright Spot

Prime Minister Eric Williams recently has been setting records as the Caribbean's most peripatetic statesman. He returned home this week from his second globe-girdling trip within the past five months, in which he promoted his country's development and his own standing as an intellectual and political leader.

The highlight of his recent month-long trip to the US and the Far East was a meeting with President Ford. On a similar journey last fall, he became the first Caribbean leader to be greeted by Chairman Mao and Premier Chou En-lai.

Williams has guided the destiny of his two-island nation for more than 15 years. He was premier under British rule from 1959 to 1962, and became the first prime minister when independence came on August 31, 1962. He has held the post ever since, pursuing a basically pragmatic, non-ideological course. With the exception of a brief period in 1970, Williams has preserved harmony in a country divided into a patchwork of racial, religious, and social groups. People of African descent constitute over 40 percent of the 1.1 million population, hold most of the professional and skilled jobs, and dominate the politics of the country. Descendants of East Indian immigrants constitute the second largest group--around 35 percent. The majority of East Indians live in rural areas, farm, and only recently have become aware of their political potential.

The glue that holds these groups together is the country's wealth. With an annual per capita income

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of over \$1,100, and better income distribution than many countries in the area, the people of Trinidad and Tobago are reasonably well off and their lot is getting better.

The key to this prosperity is oil. It provides one quarter of the gross national product and about two thirds of the country's exports. Crude production is now over 200,000 barrels per day--exceeded only by Venezuela in Latin America. Part of this oil is shipped as crude and part is refined in Trinidad before shipment. About 300,000 barrels per day of crude are imported, mainly from the Middle East and Africa, for reexport as refined products. Trinidad's two refineries have a nominal capacity of 460,000 barrels per day, and presently are handling about four-fifths of that quantity.

Although Trinidad's application for membership in the Organization of Petroleum Exporting Countries has been rejected twice, the rejection may have been a blessing in disguise. The lack of OPEC ties gives Trinidad considerable freedom to maneuver in marketing oil, and it has cashed in on the OPEC-inspired price boom.

Williams has ambitious plans to use oil and natural gas to boost the country's economy and to expand its influence. In the domestic area, the government intends to use the increased revenues from this source to: fund the development of energy-using and energy-based industries in order to provide new jobs; to make additional investments in agriculture, particularly fishing and food production; to build reserves for financing future social infrastructure projects such as housing and roads; and to retire some costly short-term foreign debts.

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On a broader scale, Williams has pledged to use Trinidad's oil to promote Caribbean regional development and integration. An aluminum plant that might be built in Trinidad as a joint venture with Jamaica and Guyana would be the largest multilateral project ever undertaken in the region. Additionally, Williams intends to provide balance-of-payments assistance to Jamaica, Guyana, and possibly other countries, and to make funds available to the Caribbean Development Bank. He has said that one of his highest priorities will be to reduce the dependence of his own country and other Caribbean states on outside suppliers for much of their food requirements at an annual cost of \$500 million. To promote intra-regional trade, Williams has voiced support for the idea of forming a Caribbean maritime transportation system.

Trinidad historically has exercised considerable influence in the eastern Caribbean. Williams' increasing attention to Trinidad's role in the region is in part motivated by the growing shadow cast by Venezuela there. Perhaps in an effort to develop a counterweight, Trinidad has expanded its ties with Brazil in recent years. A Brazilian-Trinidadian mixed commission was established in 1971 to coordinate economic relations. The Brazilians now have agreed to furnish iron ore for a \$500 million iron and steel plant to be built in Trinidad, and have given the country special fishing rights off the Brazilian coast.

Trinidad's strongest foreign ties are with the US. Traditionally many Trinidadians have emigrated to the US in search of better economic opportunities. The US accounts for about 60 percent of the more than \$1 billion foreign investment in Trinidad and is its most important trading partner, providing about one-third of its imports and taking one-half of its exports.

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For both political and economic reasons, Williams is trying to develop and strengthen links with other countries, without weakening his ties to the US. On his recent trips Williams held discussions with Japanese firms that have expressed interest in utilizing Trinidad's oil and gas reserves for the manufacture of fertilizers, petrochemicals, and synthetics.

In line with his promotion of an "independent" foreign policy, Williams has expanded Trinidad's relations with Communist nations since 1970. Diplomatic relations with Cuba and Romania were established in 1972, and with the Soviet Union, China and Yugoslavia in 1974. Cultural and economic delegations from other Communist countries have visited Trinidad, and the establishment of diplomatic ties may follow.

Williams' freedom to devote much of his time to foreign affairs arises both from Trinidad's favorable economic situation and its political stability. The prime minister's People's National Movement dominates the legislature. His own presence holds the party together. The major opposition group, the Democratic Labor Party, and several smaller political movements, are split by conflicts of personalities and ambitions of their leading figures.

The opposition parties have not been able to capitalize on scattered public dissatisfaction with Williams' autocratic methods and his trickle-down economic policies. Many student and intellectuals

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feel that the 63-year-old prime minister is not in touch with the economic and social changes that have taken place since independence. Student and labor unrest capped by a military mutiny in 1970 served as a reminder that Trinidad is not immune to the tensions that mark other Caribbean countries.

Williams faces a potentially serious challenge from labor, which is comparatively well organized and led. The country's growing wealth and mounting inflation have led workers to press for high wage increases that include adjustments for cost-of-living increases. Presently oil field workers are demanding a 147-percent hike in a dispute that has partially disrupted the industry. A noteworthy feature of this dispute is the decision of sugar-cane workers, who are predominantly East Indians, to make common cause with the oil workers, who are mostly black. If the labor groups are capable of preserving this temporary unity, they could become an economic--and possibly political--force that even Williams might eventually find hard to handle. (CONFIDENTIAL)

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